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OGI's Financial Sit-Rep Contribution
ALA/SAD/R [redacted]
29 ~~November~~ 1982
December

25X1

COLOMBIA

Loan terms are stiffening for Colombian borrowers as international banks become more cautious about lending to South American countries. A recent $82 million, eight-year syndication for Colombia's electric utility -- Empresa de Energia Electrica -- bears a margin of 1-1/4 percent over the London Interbank Offered Rate (LIBOR) -- compared to 5/8 percent over LIBOR for 10-year loans in early 1982. Colombia will likely resort to international capital markets for loans to cover its 1982 fiscal deficit. We believe Bogota will have few problems raising the $1-2 billion needed to meet the payments deficit, but will have to pay more for its credits. Interest payments on its nearly $10 billion foreign debt will therefore become more burdensome. [redacted] 25X1

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OGI's International Financial Situation Report Contribution
ALA/SAD/R/[redacted] 25X1
29 December 1982

ECUADOR

[redacted] 25X1

Despite lack of agreement with the IMF, Quito continues to pursue debt refinancing efforts. On 10 January 1983, Ecuador's economic team will meet with the bank steering committee to determine the terms for refinancing the $2.8 billion public sector debt falling due through 31 December 1983. [redacted] 25X1 Finance Minister Pinto will be visiting Tokyo this month to request the extension of one-year credits into longer-term loans. Moreover, Embassy reporting indicates that Quito's Central Bank is trying to assist the private sector in refinancing its registered external debt--now estimated at $1.7 billion--by arranging a swap arrangement with several foreign banks. [redacted] 25X1

Efforts to secure international aid also continue. [redacted] 25X1

[redacted] 25X1

[redacted] 25X1

[redacted] 25X1

[redacted] Official missions of [redacted] multilateral financial institutions will return 25X1
to Ecuador this month to consider credit proposals and prospects appear bright. The IDB 25X1
recently approved a $36 million loan to Ecuador to help carry out feasibility studies of
three high priority hydroelectric projects. [redacted] 25X1

[redacted] 25X1

[redacted] 25X1

OGI Financial Situation Report
ALA/SAD/R [redacted] 25X1
4 January 1983

Brazil

Brazil laid out its balance-of-payments financing plan for 1983 to its major creditors in New York on 20 December. The Brazilian program, endorsed by the IMF, includes (a) a request for a $4.4 billion medium- and long-term loan, (b) a rollover of 1983 amortization payments into a longer term credit, and (c) a call to maintain short-term lines of credit and to restore interbank credit to overseas agencies to the 30 June 1982 level. According to the Brazilian press, a general spirit of cooperation prevailed during the meeting. The Central Bank has asked for a reply by 31 December, but this proved unrealistic. [redacted] 25X1

On 30 December, Brasilia moved unilaterally to implement part of the balance-of-payments program outlined earlier in New York. The Central Bank announced that it would suspend principal repayments on medium- and long-term debt due in January and February. Under the plan, the Central Bank will continue to remit interest payments as of the maturity date. Principal would be repayed by a new 8-year loan with a 30 month grace period. According to a press report, the move will affect some $445 million in principal repayments in each month. [redacted] 25X1

[redacted] 25X1

[redacted] 25X1

The press immediately reported that Brasilia had declared a general moratorium on principal repayments in 1983, without the background that would have made it less alarmist. In another press statement, Brazilian financial officials warned that if foreign banks did not support Brazil's plan for rescheduling payments due in January and February, the country will enter into de facto insolvency on 1 March. Although major US banks agreed to Brazil's request according to press reports, we fear that Brazil's unilateral move may undermine fragile confidence of foreign financial institutions. [redacted] 25X1 25X1 European banks were worried and unsatisfied with the proposed financial package presented in New York. They view the plan as requiring an unacceptable increase in European bank exposure and some also perceive Brazil as unwilling to reduce expenditures to solve their current financial bind. The reaction to this move by Japanese banks remains uncertain. Any sudden contraction of credit in the wake of this announcement would now prove unmanageable to Brazilian financial institutions and the country would have little choice but to declare a payments moratorium. [redacted] 25X1

Despite progress in arranging a financial rescue package, Brasilia continued to experience difficulty in obtaining credit, especially in the short-term markets, in December.

[redacted] 25X1

[redacted] 25X1

-- Press reports indicate the Bank of Brazil had to be bailed out at least 3 times during the month by US bankers.

[redacted] 25X1

-- A $67 million syndicated loan for a Brazilian steel company was cancelled in late-December by a UK bank.

[redacted] 25X1

[redacted] 25X1

OGI Financial Situation Report
ALA/SAD/R[redacted] 25X1
3 January 1983

Argentina

Buenos Aires continues to make progress on its 1983 balance-of-payments financing plans, especially with commercial bankers. The press reports that the $1.1 billion bridge loan was signed on 31 December [redacted] 25X1 Moreover, the BIS will loan Argentina $500 million for 6 months. [redacted] 25X1

Details of the IMF agreement are still sketchy. [redacted] 25X1

[redacted] 25X1

Thus far, the economic team has managed to avoid serious confrontation with domestic groups over the austerity program. They have been [redacted] convincing key 25X1 leaders--particularly from the military and major political

[redacted] 25X1

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parties--that the proposed program is essential in resolving the foreign debt problem and laying the basis for future growth. The lack of specific detail about future austerity policies also averted greater resistance to the program. 25X1

We believe Buenos Aires will encounter increasing difficulty in implementing required austerity measures. The Bignone government continues to respond more to short-term political pressure than longer-term economic goals. Buenos Aires recently granted a 14.5 percent salary hike after labor unions threatened to strike. In Argentina's turbulent political climate, the government will likely waiver and backslide on carrying through the austerity program, thereby jeopardizing efforts to resolve its debt problems. 25X1

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